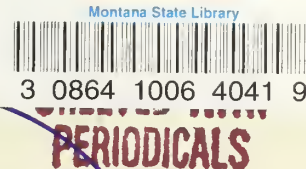


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high water

a floodplain management newsletter

Volume 41

December 1990

PLEASE RETURN

LOMAS and LOMRS: "What's the Difference?"

If these two acronyms are causing you problems and you have a hard time distinguishing between them, you are not alone.

Situations occasionally arise in which a piece of real property is shown on a flood map as being in a "Special Flood Hazard Area" (SFHA) even though the property is, in fact, above the 100-year flood level. This happens because flood insurance maps cannot reflect every rise in terrain, and yet "natural islands" of high ground do occur in the special flood hazard area. Nevertheless, until the map has been changed, lenders are bound by the information shown on Federal Insurance Administration (FIA) maps and cannot make a determination of their own that is inconsistent with the map.

Fortunately, there is a mechanism for resolving such problems. FIA has created a procedure by which a property owner can submit elevation data in support of a request for a Letter of Map Amendment (LOMA), which waives the flood insurance purchase requirement. Such a process involves only the property owner and the FIA; the community does not have to participate. The property owner may then take the

LOMA to the local floodplain administrator to waive floodplain management measures for any desired improvements to the property. The new administrative rules adopted by the Board of Natural Resources and Conservation give authority to the local government to determine that the property is out of the floodplain when adequate supporting data are provided. This applies only to flood fringe areas.

A related situation arises when a property owner, whose land is within a special flood hazard area below the 100-year flood level, grades and fills the site to raise the level of the land above the 100-year flood level. This situation differs from the one above because an artificial improvement was needed to raise the land above the flood level. In cases where physical changes have had to be made to raise the level of the property above the base flood elevation, FIA will not issue a Letter of Map Amendment. However, with the concurrence of the community, FIA will issue a Letter of Map Revision (LOMR) which, for the purposes of the property owner, will accomplish the same purpose. A LOMR can also be issued to correct a mistake made in the

original analysis or when conditions have changed, as in the case of the construction or removal of a dam, levee, or other flood control structure.

The LOMR request must be made, or concurred with, by the community. After issuance of a Letter of Map Revision by FIA, any changes to the designated floodplain or floodway must also be amended by the Board of Natural Resources and Conservation as required by Section 76-5-203, MCA.

The 1989 administrative rules contain specific requirements for artificial placement of fill to raise property above the base flood elevation (BFE) for removal from the SFHA. The fill must be contiguous to areas naturally above the BFE; it must be clean, suitable, and well-graded fill material compacted to 95 percent of optimum density; and it must be a minimum of two feet above the BFE. No fill may be placed within the floodway. An engineer's certification that all of these requirements are met must accompany any request to alter a designated floodplain.

Portions of this article were taken from The Idaho Water Log, March 1990.

FDIC and Freddie Mac Issue New Flood Insurance Requirements

Freddie Mac

The Federal Home Loan Mortgage Corporation (Freddie Mac) has clarified its requirements with respect to flood insurance in a 10/2/89 letter to all Freddie Mac sellers and servicers. A section of the letter headed "Flood Loss Mitigation" is quoted below:

"According to the Federal Emergency Management Agency (FEMA), only 13% of the properties located in Special Flood Hazard Areas (SFHAs) are insured against flood hazards. This percentage translates into only 1.4 million insured 'household units' out of the 11 million units that qualify for insurance under the National Flood Insurance Program (NFIP). This critical gap in protection from flood-related losses is cause for serious concern.

"Uninsured losses from a major flood can severely strain the resources of federal, state and local governments and can threaten the stability of lenders that have concentrated investments in the areas affected by the flood.

"One reason given for the low volume of flood insurance in force is that for virtually every new flood insurance policy issued one existing policy is not renewed. Although your quality underwriting and servicing performance has mitigated flood related losses, we want to reemphasize our flood insurance requirements: You must ensure that flood insurance is obtained and maintained on any property in a SFHA that secures a mortgage sold to and/or serviced for Freddie Mac.

"You should also remember the following points:

- Although you may depend on your appraiser to identify whether a

property is located in a SFHA, ultimately you are liable to us and may be liable to the borrower for uninsured flood losses resulting from failure to identify flood hazards and to require appropriate insurance...

- You must ensure that flood insurance premiums are paid whether from escrowed funds or by the borrower. In the latter case, you must have evidence of the borrowers' payments. Evidence of insurance related premium payments are subject to our verification...
- At any time after the mortgage is originated, the area where the mortgaged premises is located may be classified as a SFHA. If you become aware of this new classification, you must notify the borrower of our insurance requirements and ensure that flood insurance is obtained and maintained.
- When servicing is transferred, the transferee assumes all selling and servicing warranties of the transferor, including the warranty that flood insurance is in force when applicable. The transferor must notify appropriate insurers of the change of mortgagee and billing address and the transferee must verify all applicable insurance coverages..."

FDIC

Federal regulators and agencies are carefully scrutinizing compliance with the mandatory flood insurance purchase requirements of the Flood Disaster Protection Act. It's clear from recent guidelines issued by FDIC that it's not

enough simply to indicate in the mortgage file that a property is either "in" or "out" of a Special Flood Hazard Area.

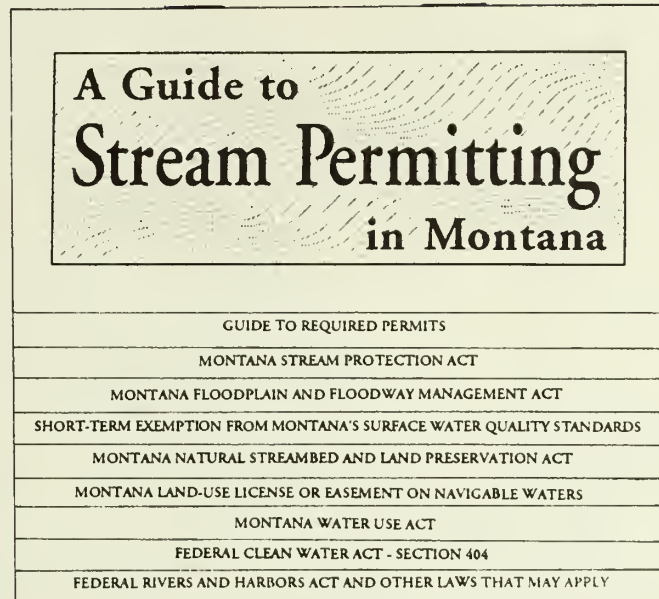
You must also document how the flood hazard determination was made and maintain specific records related to that determination. In a Financial Institution Letter dated 1/26/90 and updated 4/30/90, FDIC imposes the following requirements:

- 1) FDIC-supervised financial institutions are expected to maintain sufficient records indicating the method used to determine whether "improved real estate or a mobile home" offered as security for a loan is located in a SFHA.
- 2) Such records include copies of official maps, or reference to specific maps by number, date and complete panel number (should be a ten-digit number).
- 3) Records should also include written contracts between the appraiser, or any outside resource, who performed the flood check.
- 4) Financial institutions are expected to retain copies of notices provided to the borrower and the written acknowledgment of receipt.
- 5) If flood insurance is required, a copy of the insurance policy also should be retained.
- 6) If the improved real estate or mobile home is located in a Special Flood Hazard Area, the institution is expected to maintain the zone designation. If it is outside a SFHA, the institution should include a statement to that effect.

(Reprinted courtesy of TransAmerica Flood Hazard Certification, Flood Flash, Vol.1 No.5.)

A Guide to Stream Permitting in Montana

Anyone who has done work in or disturbed one of Montana's streams knows there is a multitude of permits that may be required. That is why a new brochure entitled "A Guide to Stream Permitting in Montana" was prepared. The brochure is a cooperative effort of the Montana Association of Conservation Districts; the Montana Departments of Natural Resources and Conservation; Health and Environmental Sciences; Fish, Wildlife and Parks; and State Lands; the U.S. Envi-



ronmental Protection Agency; and the U.S. Army Corps of Engineers.

The guide provides useful information about the different permit programs, a description of each permit, where you apply for one, when they are required, etc. Anybody who administers any of these permit programs or anyone planning work near a stream will find this guide helpful.

Copies of the guide are available from the agencies listed above.

FEMA's Elevation and Floodproofing Certificates are Revised

The Federal Emergency Management Agency recently updated its Elevation Certificate and Floodproofing Certificate forms. These forms have been revised to better serve the purposes of community floodplain management and rating for flood insurance policy issuance.

The Elevation Certificate (FEMA Form 81-31, May '90) is now a six-page booklet which includes accessory information along with the certificate form itself. The carbon duplicate sheets have been eliminated. The new Elevation Certificate revises and incorporates the reference level diagrams directly into the certificate instructions, ending the need to refer to the *Flood Insurance Manual* for additional information.

Benefits derived from using the FEMA Elevation Certificate are:

- the community can obtain the lowest

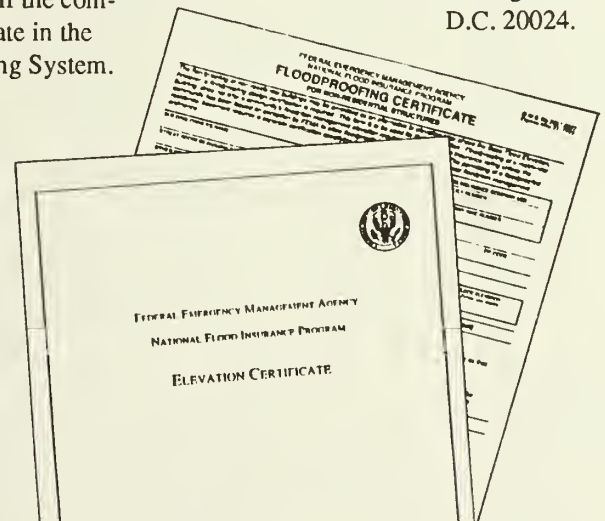
floor elevation it needs for floodplain management purposes;

- the same form can be used to obtain flood insurance;
- the use and maintenance of the certificate may result in a flood insurance rate reduction if the community elects to participate in the FEMA Community Rating System.

The Floodproofing Certificate (FEMA Form 81-65, May '90) has been changed for use only with nonresidential structures. The Floodproofing Certificate is meant to accompany the Elevation Certificate for flood insurance purposes, as appropriate to the situation.

Copies of the Elevation and Floodproofing Certi-

cates are being sent to all participating National Flood Insurance Program communities. Additional copies of the certificates can be ordered from: Federal Emergency Management Agency, Attention: Publications, P.O. Box 70274, Washington, D.C. 20024.



New Floodplain Management Staff

The two vacant positions within the Floodplain Management Section of the Department of Natural Resources and Conservation (DNRC) have been filled. Gary Fischer is the new supervisor of the section, replacing John Hamill, who has taken a position in Spokane, Washington.

Gary previously worked with a private consulting firm in Helena. Karl Christians is the new community assistance program manager. He replaces Deeda Richard, who was promoted within DNRC to the Conservation and Resource Development Division. Karl previously worked in

the Havre Water Rights Field Office and also managed a family farm. Both John and Deeda contributed significantly toward achieving the goals of the National Flood Insurance Program, and we wish them well in their new endeavors.

Karl and Gary look forward to maintaining effective floodplain management policies in Montana and providing responsive assistance to all communities and individuals.

Video

One of Deeda's final accomplishments for the Community Assistance Program before being promoted within DNRC included a video that is planned to be aired on Montana television stations. It is a public service announcement warning of the dangers of building and residing in floodplain areas. The video will be distributed for broadcasting this winter prior to the flood season in the spring.

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